

MONTHLY REVENUE REPORT

February 2003

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.56 billion in February 2003, which topped last year's level by 4.4%. This marks the first time in the past five months that tax collections have topped their year-ago level. The improvement in February was due not to a sudden increase in economic activity, but to very weak collections last year at this time. The projected growth rate for February was 4.3% and was based on the January consensus revenue estimates, historical monthly collection patterns, and the very weak year-ago collection level. As a result, the increase in February was basically on target with the January consensus estimates. Taxes experiencing an increase in collections in February included income, tobacco, State education property, estate, and oil and gas severance taxes. These increases were offset in part by decreases in single business, insurance, and real estate transfer taxes. Despite the increase in February, tax collections on a fiscal year-to-date basis, are still down 0.4%.

Gross income tax collections totaled \$535 million in February, which was up a very strong 9.1%. Gross income tax collections include taxes withheld from workers' paychecks, quarterly estimated payments, and annual payments. In February, income tax withholding collections totaled \$519 million, which accounted for over 96% of gross income tax collections, and were up 9.8%. No quarterly payment is due in February, so quarterly payments totaled only \$6 million, and annual payments totaled \$11 million. While gross income tax collections experienced a stronger-than-expected increase in February, income tax refunds were also larger than was expected. In February, income tax refunds totaled \$305 million, which was up 26.8% from last year's level. Some of this increase in refunds may be due to taxpayers' filing earlier than they did last year and to an increase in the number of electronically filed returns, which require less time for the State to process refunds. However, if refunds remain high in March and April, net income tax collections (gross collections less refunds) could end up being weaker than forecast. So far in fiscal year 2002-03, gross income tax collections are up 0.5%.

Sales tax collections totaled \$437 million, which topped last year's level by 1.9%. Sales tax collections from motor vehicle transactions were up 0.5%, while sales tax collections from all other taxable retail sales were up 2.2%. On a fiscal year-to-date basis, sales tax collections are down 1.5%, largely due to a 12.1% decline in motor vehicle sales tax collections.

Single business tax collections totaled \$94 million in February, which was down 32.8% from last year. While this decline marks the third consecutive monthly decrease in single business tax collections, February's collections overstate the current weakness because they reflect only a portion of the quarterly payment that was due at the end of January. Total collections in both January and February, which include all of the January quarterly payment, were down 20.7%. So far this fiscal year, single business tax collections are down 10.3%.

Other taxes posting an increase in collections in February include the use tax, up 1.0%; State education property tax, up 23.1%; estate tax, up 32.3%; and oil and gas severance tax, up 8.7%. In addition, tobacco tax collections were up 37.2% in February due to the fact that the tax rate, which was increased in August 2002, is currently 50 cents per pack higher on cigarettes than it was last year at this time. Other taxes posting a decrease in collections in February include the insurance tax, down 34.1%; and the real estate transfer tax, down 13.7%.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for February 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the FY 2002-03 consensus revenue estimates adopted at the January 2003 Consensus Revenue Estimating Conference.

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MICHIGAN REVENUE UPDATE
FEBRUARY 2003
(dollars in millions)

Type of Revenue	February Collections		FY 2002-03 to Date ²⁾		FY 2002-03 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$518.8	9.8%	\$2,268.6	1.8%	\$6,448.0	0.8%
Quarterly Payments	5.6	3.7	218.1	(8.2)	525.8	(17.1)
Annual Payments	11.0	(16.7)	27.1	(24.7)	383.1	(24.7)
Gross Income Tax	\$535.4	9.1%	\$2,513.8	0.5%	\$7,356.9	(2.5)%
Sales Tax	436.9	1.9	2,087.1	(1.5)	6,604.1	2.5
Motor Vehicles	65.8	0.5	288.9	(12.1)	----	----
All Other Sales Tax	371.1	2.2	1,798.2	0.5	----	----
Use Tax	98.4	1.0	391.4	(11.1)	1,335.2	2.2
Tobacco Tax	69.7	37.2	287.6	43.9	867.9	29.3
Single Business Tax	94.0	(32.8)	563.0	(10.3)	1,951.4	(1.6)
Insurance Tax	22.6	(34.1)	87.9	18.8	245.0	7.9
State Education Property Tax	265.0	23.1	509.0	2.4	2,111.2	33.3
Real Estate Transfer Tax	17.6	(13.7)	76.0	(3.4)	253.0	0.0
Estate/Inheritance Tax	16.4	32.3	44.9	(19.2)	79.5	(39.3)
Oil & Gas Severance Tax	2.5	8.7	14.1	67.9	35.0	14.0
Total	\$1,558.5	4.4%	\$6,574.8	(0.4)%	\$20,839.2	3.3%
Addendum:						
Gross Lottery Sales ⁴⁾	\$133.7	6.1%	\$712.2	9.6%	\$1,733.5	2.7%
Net Lottery to School Aid ⁴⁾	\$ 49.6	16.1%	\$258.4	10.5%	\$ 613.0	(0.1)%

1) Total collections are unadjusted cash collections unless otherwise noted.

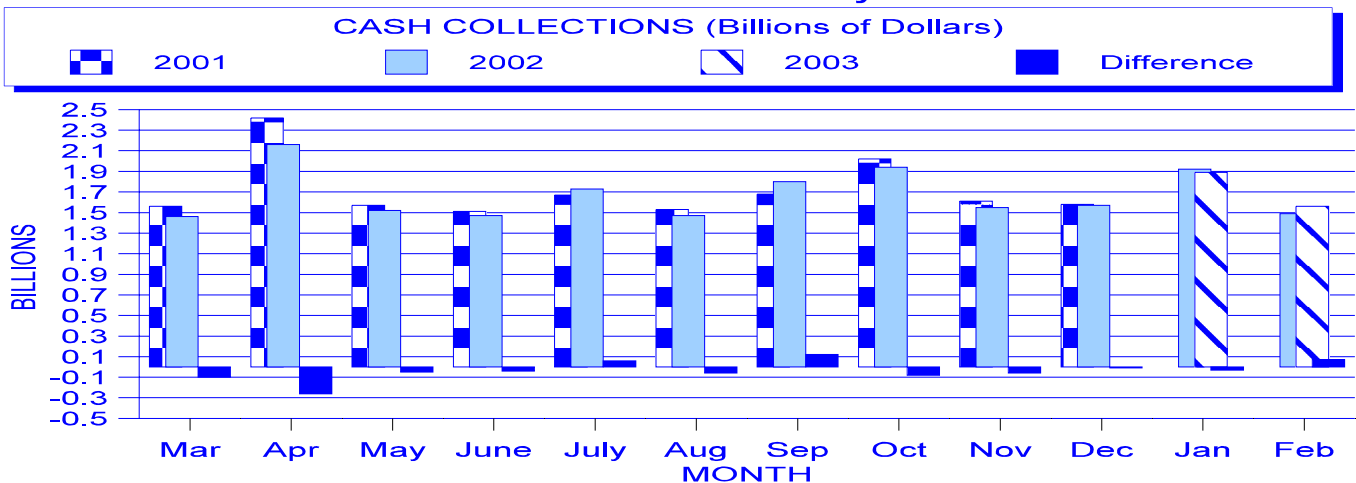
2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.

3) Revenue estimates adopted at the January 14, 2003, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

Note: January lottery data are preliminary.

Actual Revenue Collections for 12 Major State Taxes*
March 2001 to February 2003



*Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.